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May 15, 2015

***Via Electronic Mail***

Steven V. King  
Executive Director and Secretary  
Washington Utilities & Transportation Commission  
1300 S. Evergreen Park Drive S. W.  
P.O. Box 47250  
Olympia, Washington 98504-7250

Re: Docket No. A-150561- Comments of Avista Utilities

Dear Mr. King,

Avista Corporation, dba Avista Utilities (Avista or Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission's (Commission) Notice of Opportunity to Submit Written Comments (Notice) issued in Docket A-150561.

On April 6, 2015, the Washington Utilities and Transportation Commission (Commission) established Docket A-150561 to investigate current utility and transportation industry practices regarding credit card payments by customers, and to reevaluate the regulatory framework surrounding these payments. The Commission's notice, dated April 17, 2015, is seeking written comments in this newly established Docket.

Avista appreciates the opportunity to provide the following comments in response to the Commission's specific questions:

*Costs and benefits to the company and other ratepayers*

1. Please describe your current practice for processing non-cash/non-check payment methods. If you currently accept debit and credit card payments, what are the transaction fees incurred by customers using these methods? Are there any costs incurred by the company?

**Response:** Avista uses a third-party payment processor to accept credit and debit card payments on its website, through its Integrated Voice Recording (IVR) system, and through Customer Service Representatives over the phone. When customers make a payment with a credit or debit card on the website or through the IVR they are transferred to the payment processor’s website or IVR to complete their transaction. More detail about Avista’s payment options are included in the following Table No. 1<sup>1</sup>:

Table No. 1

**Payment Options**

	My Account	Bank Bill Pay	APS	One-Time Payment	Mail a Payment	Pay in Person
	Pay now	Learn more	Enroll now	Make a payment	Learn more	Find pay station
Paper Bill*	✓	✓	✓	✓	✓	✓
Payment Source	Checking or Savings Account	Your Bank	Checking or Savings Account	Credit, Debit, or Checking/ Savings Account	Check or Money Order	Cash, Check, Money Order
Payment Options	Customer Scheduled	One-Time or Recurring	Recurring	One-Time Only	One-Time	One-Time
Cost	FREE	FREE	FREE	\$3.50**	Postage	No fee for <i>authorized</i> pay stations
Estimated Time to Post to Account	1 Business Day	See Bank Rules	2 Days Prior to Scheduled Due Date	1 Business Day	Varies - can take up to 7 days or more	3 Business Days
*Or enroll in paperless billing and receive your bill electronically.						
**The \$3.50 convenience charge is collected by a third-party vendor. Avista receives no portion of this fee. Transaction limit for credit/debit card payments (including convenience charges): \$3,000 per account per 26-days.						

<sup>1</sup> This table is provided on the Company’s website at [www.avistacorp.com](http://www.avistacorp.com).

Transaction fees for all of Avista's payment channels are included in the response to question #2 below. As shown in the table above and the footnote of the table, customers paying by credit or debit card are required to pay a \$3.50 transaction fee for payments totaling up to \$3,000 within a 26 day period. Payments over \$3,000 by credit or debit card pay a 3% transaction fee. Customers paying by checking or savings accounts through the IVR or a Customer Service Representative are also charged a \$3.50 transaction fee. Avista receives no portion of the \$3.50 transaction fee. The amount of the charge is determined by the historical average payment amount and set by the payment processor.

On Avista's side of processing payments, we use a batch based process to apply payments to customers' accounts. Avista receives daily remittances payment files that include the actual financial transactions made to the Company. These files are processed in the Company's Customer Care and Billing (CC&B) system through a batch process that occurs Monday-Friday night.

Avista does receive 30-minute pending payment files throughout the business day from its payment processors. These files include a list showing pending payments; however they are not actual financial transaction files. Avista does not treat these files as actual payment files because funds do not change hands at this time. The actual financial transaction is included in the daily remittance payment file. Avista does use the 30-minute pending payment files to stop any disconnections that are scheduled in the field if payments are made to satisfy the collectible balance on an account.

**2. What transaction costs are involved with the forms of customer payment listed below? Many of these costs may be costs that have been embedded; when reporting these embedded costs, please indicate how you arrived at your calculations.**

- **Cash**
- **Check or money order (also compare by mail/dropbox to those made in person)**
- **Electronic check**
- **Credit card (also compare paying over the phone to online)**
- **Debit card (also compare paying over the phone to online)**
- **Automated Clearing House (ACH) financial transactions**

- **Other**

**Response:** The following Table No. 2 contains information for payments received by Avista in 2014 across all customer classes:

Table No. 2

<b>Payment Summary - YTD 2014</b>	<b>Transaction Count</b>	<b>Fees Paid</b>	<b>Cost per transaction</b>	<b>Payments Received from Customers</b>
Mailed <sup>(1)</sup>	2,066,923	\$479,641.53	\$0.232	\$583,096,068.28
Paystation	253,405	\$163,000.76	\$0.643	\$33,277,369.42
Online Payments (Bank bill pay, APS, etc...)	1,700,576	\$101,664.35	\$0.060	\$260,439,255.47
ACH - paid with a "My Avista Account"	818,398	\$140,304.90	\$0.171	\$103,204,889.68
One-Time Ach - paid without a "My Avista Account" <sup>(2)</sup>	21,666	\$816.72	\$0.038	\$5,334,035.54
Credit Card <sup>(2)</sup>	154,521	\$6,046.79	\$0.039	\$31,241,211.77
Pinless Debit <sup>(2)</sup>	95,381	\$3,693.49	\$0.039	\$14,735,348.05
<b>Total Payments</b>	<b>5,110,870</b>	<b>\$895,168.54</b>	<b>\$0.175</b>	<b>\$1,031,328,178.21</b>

(1) Mailed payments include all forms of payments received by mail, through drop boxes, and cash or check payments made in person at Avista's locations where the Company accepts lobby payments. All of these payments are processed by the Company's remittance department. Costs for processing these payments cannot be separated as they are processed together within the same department.

(2) This represents the cost for receiving the funds into our bank and any return fees associated with the payments (Customer pays \$3.50 for these transactions)

Transaction costs for payments received on the website, IVR, or over phone are the same, and are processed by a single payment processor. Transaction costs do not include the cost of developing or maintaining the Company's website or IVR, as well as any costs to operate its Customer Service department.

**3. Please provide an indication of the number of payments, and dollar volumes, made using each method.**

**Response:** Please see response to #2 above.

**4. Please provide an indication of the average cost to process a transaction for each of the above forms of transaction. Please also calculate the average bill for each type of payment method.**

**Response:** Please see response to #2 above for the average cost to process a transaction by each channel. The following Table No. 3 includes the average payment for each type of payment method:

**Table No. 3**

<b>Payment Summary - YTD 2014</b>	<b>Avg. Payment</b>
Mailed	\$282.11
Paystation	\$131.32
Online Payments (Bank bill pay, APS, etc...)	\$153.15
ACH - paid with a "My Avista Account"	\$126.11
One-Time Ach - paid without a "My Avista Account"	\$246.19
Credit Card	\$202.18
Pinless Debit	\$154.49
<b>Average of all Payments</b>	<b>\$201.79</b>

5. **Are measures taken to ensure that processing costs for a particular method of payment are borne exclusively by those specific customers that use those specific methods of payments?**

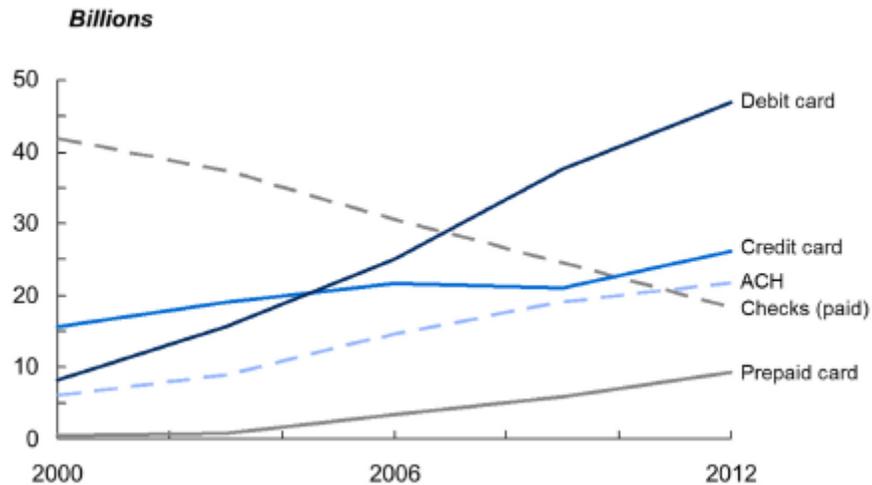
**Response:** No. Transaction costs incurred for all payment methods are included in general administrative expense. Credit card and debit card fees and any other extra charges are paid by the customer choosing that payment channel.

6. **What advantages do you see to making credit and debit card billing options available to customers? What has precluded your company from doing so if it hasn't already?**

**Response:** Avista currently has credit and debit card payment options available to its customers that require them to pay a convenience fee when choosing these payment methods. These options, specifically debit card payments, are important because they represent the fastest growing methods for customers making payments. Customers expect to have an option available to pay by credit or debit card as they are the primary source for making

purchases and making payments for bills. This is evident in the following illustration, provided by the Federal Reserve in their 2013 Federal Reserve Payment Study<sup>2</sup>.

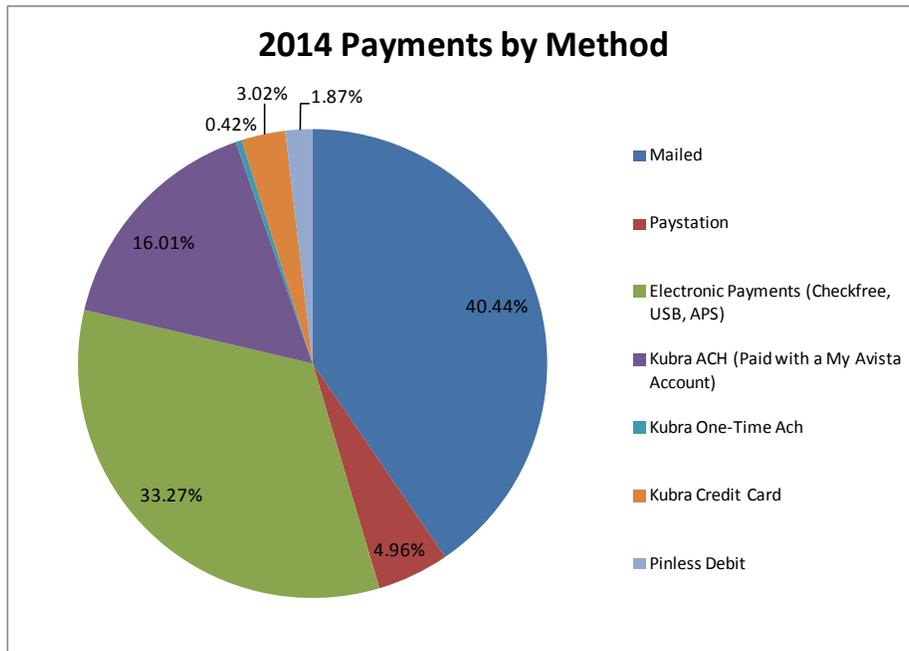
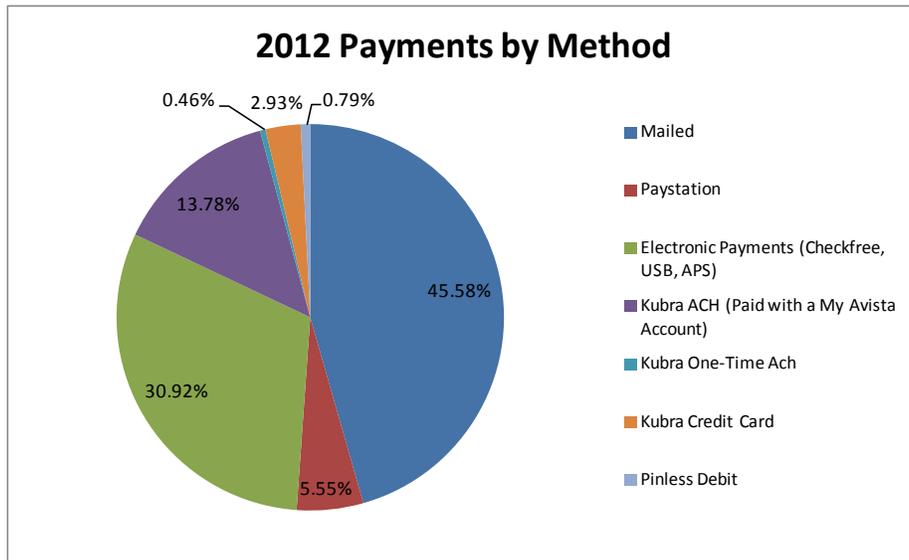
**Exhibit 1: Trends in noncash payments 2000-2012, by number and type of transaction**



Credit, debit and prepaid card trends include general-purpose and private-label payments.

With the growing trend in debit, credit, and prepaid card payments it places even more emphasis on the discussion related to these channels and how the costs should be covered. For Avista, the primary source of payments has remained mailed payments. However, the trend for these types of payments is on the decline as customers turn more to electronic channels. From 2012 – 2014, Avista saw the number of mailed payments decrease 5%. The following chart provides a breakdown of payments by method for Avista from 2012 – 2014:

<sup>2</sup> The 2013 Federal Reserve Payments Study, July 2014.  
[https://www.frbservices.org/files/communications/pdf/general/2013\\_fed\\_res\\_paymt\\_study\\_detailed\\_rpt.pdf](https://www.frbservices.org/files/communications/pdf/general/2013_fed_res_paymt_study_detailed_rpt.pdf)



7. **What advantages and disadvantages are there in having card payments processed by a third-party, such as BillMatrix? Is there a better option for processing credit and debit card payments, such as contracting through a bank? What are the costs of these alternative processing methods, and how would they impact the use of credit cards?**

**Response:** As stated above, Avista utilizes a third-party payment processor for processing payments made on its website, through its IVR, or Customer Service Representatives. Avista

uses third-party payment processors, in part, due to patents<sup>3</sup> which previously prevented bill presentment and direct acceptance of payments on a website. Using a third-party payment processor allowed Avista to avoid patent-related legal action<sup>4</sup>.

Using a third-party payment processor has also allowed Avista to take advantage of the payment processor's expertise in the areas of financial transaction security and protection of the consumer's banking data.

Avista believes that using a third-party payment processor is the best and most efficient solution for the Company and its customers. Processing financial transactions is complex and requires a great deal of security to be in place to protect customers' banking and credit information. By utilizing a payment processor, it places the security and protection requirements on a third-party who has the expertise in this area.

Contracting with a bank would be similar to using a third-party payment processor when it comes to transaction costs and the actual processing of payments. Processing payments in-house would require additional resources within our remittance department, expanded knowledge and expertise in the area of financial transaction security and protection of customers' banking data, as well as additional physical and technological security. The Company would also be subject to additional financial regulations and Payment Card Industry (PCI) compliance that would require annual testing, training, and certification. These requirements could result in a greater cost for the Company's customers than using a third-party payment processor.

- 8. Should companies charge convenience fees for debit and credit card customers? If not, what is the rationale for recovering the costs associated with debit and credit card payments from rates charged to all customers, including those who do not, and may not ever, use the service?**

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<sup>3</sup> <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=%2Fnetacgi%2FPTO%2Fsearch-bool.html&r=1&f=G&l=50&co1=AND&d=PTXT&s1=6044362.PN.&OS=PN/6044362&RS=PN/6044362>

<sup>4</sup> <http://www.sutherland.com/portalresource/lookup/poid/Z1tOI9NP1uKPtDNIqLMRV56Pab6TfzcRXncKbDtRr9tObDdEtK3DtO!/fileUpload.name=/IPAlertEmergisUpdateFederalCircuitAffirmsPatentNonInfringentDecisions.pdf>

**Response:** Avista believes customers should not be charged a convenience fee for payments made up to a certain dollar cap, and specifically should not charge convenience fees for residential customers. The requirement to pay a convenience fee when making a payment is one of the largest frustrations customers complain about. Customers have grown accustomed to paying for other products and services with a credit card or debit card without a separate, additional fee. In addition, many other local utilities or service providers do not charge a convenience fee, which also leads to customers' dissatisfaction or frustration for paying a convenience fee when paying their Avista bill. In 2014 alone, Avista customers paid approximately \$950,000 in convenience fees when paying their Avista bills.

Eliminating these fees would provide additional options for customers to pay their bills. As discussed in the National Association of State Utility Consumer Advocates (NASUCA)<sup>5</sup> Resolution 2012-07, "Urging Utilities to Eliminate "Convenience" Fees for Paying Utility Bills with Debit and Credit Cards and Urging Appropriate State Regulatory Oversight", additional fees for paying utility bills can be burdensome. The following are excerpts taken from the Resolution:

***URGING UTILITIES TO ELIMINATE "CONVENIENCE" FEES FOR PAYING UTILITY BILLS WITH DEBIT AND CREDIT CARDS AND URGING APPROPRIATE STATE REGULATORY OVERSIGHT***

*Whereas, some individuals, particularly those who lack access to bank accounts and to credit, by one estimate numbering roughly 50 to 70 million, [\[iv\]](#) are unable to write traditional checks or to direct electronic transfers and are therefore finding it difficult to pay utility bills without incurring additional charges; and*

*Whereas, the convenience fees are making it unnecessarily costly for utility customers, especially low income customers and customers struggling financially due to illness, layoffs or other reasons, to meet their payment obligations and hence to maintain essential utility services; and*

*Whereas, the conveniences fees make it hard for low income customers, when paying utility bills, to use the payment method that is often most available to them, namely, prepaid debit cards; [\[viii\]](#) and*

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<sup>5</sup> <http://nasuca.org/2012-07-urging-utilities-to-eliminate-convenience-fees-for-paying-utility-bills-with-debit-and-credit-cards-and-urging-appropriate-state-regulatory-oversight/>

*Whereas, convenience fees imposed on debit card use undercut the policy objectives of federal programs (for example, social security) and state programs (for example, child support and unemployment compensation) that issue prepaid debit cards to beneficiaries as an effective and cost-efficient way to manage operational expenses,[\[ix\]](#) by eroding the purchasing power of such cards; and*

*Whereas, convenience fees repeatedly assessed against utility customers who make multiple payments during the course of a month undercut these customers' ability to apply scarce available funds to payment of actual utility services; and*

The addition of convenience fees can be burdensome for customers that have limited options for making payments. As discussed above, the trend in payments is moving towards debit, credit, and prepaid cards through electronic channels. With the growth in these payment methods, customers will continue to pay more in convenience fees unless there are changes made in how regulated utilities are able to recover these transaction fees.

Apart from those with limited options for making payments, the option of a no fee payment when using a credit and/or debit card would lead to greater satisfaction for all customers that primarily pay for goods and services through these channels. Whether the reason is that some customers would prefer to use their credit card to receive loyalty rewards, younger generations that are most likely to pay digitally, or customers that feel safer using a debit card that includes security protections from their bank, customers would be more satisfied with the ability to pay by the method of their choice without incurring additional fees.

As it exists today, all customers pay for the payment transaction costs incurred by the Company. The highest transaction cost Avista pays is for pay stations, which are used for roughly 5% of payments and by even a smaller percentage of customers. Another example where costs are shared amongst all rate payers is the costs to print and mail bills. Approximately 105,000 Avista customers are signed up to receive paperless bills. For every bill that is sent electronically, it saves the Company \$0.58 or \$6.96 per account per year. The customers that sign up for paperless billing do not get a discount and the cost savings are shared by all rate payers.

The more convenient the Company can make it for customers to pay bills, the more it can benefit all customers. Customers that self-serve, pay on time, and are satisfied with the options they have are the least expensive to serve, which is a benefit to all customers. Customers that do not pay on time end up in the credit collections cycle is costly and paid for by all rate payers. Lastly, customers that are not satisfied tend to call Customer Service more frequently. Every call that comes into the Call Center costs approximately \$6. This means that every call that can be avoided leads to savings for all customers. Giving customers options to pay by the method of their choice without incurring additional fees will lead to more satisfied customers and ultimately savings for all customers.

To summarize, Avista believes the costs associated with customers paying by debit or credit card, or other methods for payments made up to a certain dollar amount, and specifically for residential customers, should be treated similar to other transaction costs paid for by all customers. Customers expect and want options for paying bills just like they have options for how they receive their bills. And as explained, Avista has many services or processes that are only used by a small percentage of customers, but are paid for by all customers.

### ***Costs and benefits for adopting customers***

Some customers may prefer automatic payments using a credit or debit card, as opposed to automatic payments with checks. For instance, some customers are hesitant to provide such access directly to a checking account, without the protection provisions associated with credit cards.

- 1. What advantages and disadvantages would automatic payments through credit and debit cards provide to your customers?**

**Response:** Avista has learned from experience that its customers want and expect to have different choices or options for paying their utility bills without additional convenience fees or costs. Customers' expect Avista to offer the same choices as other utilities or retail providers.

Our goal as a Company is to make it as easy as we can for customers to pay their utility bill. Having the option to set up automated payments with the customer's payment method of choice would lead to greater satisfaction for those customers who use this service. Also, this may help those customers who do not want to think about paying their utility bills, but would rather just have payment withdrawn automatically. Lastly, for those customers that may not have access to traditional banking options, Automated Payment Service (APS) by credit or debit card would give them the opportunity to participate in this service.

### *Consumer protection issues*

1. **Several utilities currently allow customers to sign up for automatic billing through their checking accounts. How are these customers treated and indemnified when there are billing mistakes? For example, does the company provide account credits or refunds to the customers' checking accounts?**

**Response:** If there has been a billing mistake on an account with automatic billing, the credit will be applied to the customer's account for future bills. The customer also has the option of receiving a refund for any overpayment or over-collection of funds. If the Company has an error that causes too much money to be withdrawn from a customer's account that results in an overdraft fee to the customer, the Company will provide a credit equal to the overdraft amount on the customer's account. Avista works with any customer who has a billing or payment issue to come to a satisfactory resolution, regardless of payment method used.

2. **What options are available to so-called "unbanked" customers? Many of these customers receive government benefits, or their salary from their employers, in the form of MasterCard or Visa pre-paid debit cards.**

**Response:** Customers who pay by pre-paid debit cards have the same payment options as those that pay by traditional credit or debit cards. They can pay on the Company's website, through the IVR, or over the phone with a Customer Service Representative, these transactions include a convenience fee.

3. **Are pre-paid debit cards, such as those offered by MasterCard or Visa, treated any differently than traditional credit or debit cards?**

**Response:** No, pre-paid debit cards are treated the same as traditional credit or debit cards which includes the convenience fee.

4. **If the company undertakes its own credit card processing functions rather than using a third party, what protections would be put in place to ensure customer information is kept safe?**

**Response:** If the Company were to process credit card transactions itself it would require a much higher level of PCI compliance requirements. The security requirements for storing customer credit card information is costly and comes with many risks that the Company at this time, does not plan to undertake.

Avista appreciates the opportunity to provide these comments, and we look forward to participating in the workshop scheduled for June 9, 2015. If you have any questions regarding these comments, please contact Shawn Bonfield at 509-495-2782 or [shawn.bonfield@avistacorp.com](mailto:shawn.bonfield@avistacorp.com) or myself at 509-495-4975 or at [linda.gervais@avistacorp.com](mailto:linda.gervais@avistacorp.com).

Sincerely,

*/s/Linda Gervais/*

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